IV. Tourism Research

What is Research?

AOT conducts a proactive research program to enhance AOT's marketing efforts, to monitor performance of and trends in the tourism sectors of the state and national economy, and to measure AOT's performance in reaching its goals and objectives as defined in the strategic plan. The primary functions of the Research Division are to conduct industry research, (i.e., to monitor state, national and international travel trends that affect travel and tourism in Arizona), and act as a clearinghouse and data repository for that information. Representatives from this division will be available to discuss assessing tourism data, consumer and strategic target marketing research, visitor surveys and database management.

Consumer Marketing Research

Whether it's informal or formal information gathering, research is within your reach. The value in research is the ability to accurately predict a future situation in a way that will be useful to you. Typical issues that market research can explore include:

- Identifying and understanding consumers who are the most interested in your product
- Key attributes consumers consider when making travel decisions
- Effectiveness of advertising and brochures
- Customer satisfaction

What Is It You Want To Know?

Setting objectives is one of the most important steps in ensuring that information produced through market research will be useful in decision-making. Ask yourself: "What is the most important piece of information I need to gain through this research, to help me make a decision?" Then stay focused on that. Trying to explore too many diverse areas at one time will only make the research less effective.

Objectives should be clear, concise and committed to writing to ensure that they are well understood (and agreed to) by everyone involved in the project. Having done this, you can decide how to achieve these objectives. For example, suppose that a convention and visitors' bureau or chamber of commerce wants to know how effective its marketing has been in converting people to take vacations in its area. Objectives for a conversion study of this type might include:

- Determining what percentage of people who called or visited your website actually took a vacation in your area or plan to do so in the near future;
- Assessing reasons why other callers did not take a vacation in the area (e.g., went somewhere else, or decided not to take any vacation);.
- Exploring what else the CVB or chamber could do to encourage people to visit.
- As another example, suppose that an attraction is considering the addition of a new feature. This attraction's research objectives might include…
- Exploring what consumers look for in attractions of this type.
- Gauging consumer reactions to new feature concept.
- Identifying characteristics of consumers most likely to visit the new feature (e.g., families with small children, weekend vs. weekday visitors, etc.).

What Methods Can You Consider?

There are two main types of consumer market research, qualitative and quantitative. Each is useful for answering different marketing questions, and there are a variety of techniques used within each category.

Qualitative Techniques. Qualitative research is useful for gaining insights into consumer attitudes, beliefs, motivations and behaviors. Results from qualitative research don't necessarily reflect the opinions of a larger consumer base. They are intended to be exploratory in nature. Qualitative research usually uses a small sample, since the goal is to explore issues in depth. The interview format is generally in-person, and is loosely structured. Analysis of results is interpretive in nature, and often includes exact quotes from participants. Types of qualitative techniques include:

Focus groups. These are group interviews conducted by a moderator with pre-recruited respondents who meet established criteria (e.g., took an Arizona vacation within the last three years and have children under age 18 living at home). These focus group interviews generally last 1 to 2 hours, are held in a special facility with viewing and recording capabilities, and use respondents who are paid for their participation. The key reason to select focus groups over other qualitative methods is to obtain interaction among participants; comments made by one participant may spark others to share thoughts they otherwise wouldn't have. The main drawback to focus groups is that participants tend to avoid disagreeing with one another and more dominant group members can inhibit others from expressing their views.

One-on-ones. These are in-person interviews, usually 20 minutes to one hour in length, with individual respondents. Respondents can be pre-recruited or may be recruited at shopping malls, attractions or other high-traffic places, also using pre-established screening criteria. They are usually paid for their participation. One-on-ones are most appropriate for sensitive subjects that may be difficult to discuss in front of others or for in-depth evaluation of new concepts or promotional materials.

Dyads. In-person interviews with two respondents, usually people who make decisions together, such as a husband and wife.

Quantitative Techniques. Quantitative research measures attitudes, perceptions, awareness levels and behaviors of a large number of consumers. The results of this type of research can be projected to the population at large. Quantitative research is conducted when consumer issues have already been identified (usually through qualitative research) and it is necessary to measure their relative importance. The preferred minimum sample size for quantitative studies is 400 completed interviews. That will give you a minimum statistical precision of +/- 5 percentage points at the 95 percent level of confidence. This means that if you kept doing the same study over and over, drawing new samples each time, 95 times out of 100 the results would fall into a range of +/- 5 percentage points.

As with qualitative research, this type of study should be conducted with respondents who meet your target criteria; for example, golfers who take at least three overnight golf trips in a typical year. Analysis is more structured than in qualitative studies, and results will usually be reported in tables and charts.

Telephone studies. Participants are asked to respond to a short – usually 10-15 minute – interview over the telephone. This type of study is the most common because it is relatively inexpensive and easy to obtain a representative, random sample. Participants are generally not paid.

Mail studies. These studies are very cost-effective but no longer common, since response rates tend to be very low and it takes longer to obtain results. This method is useful if participants need to read detailed descriptions or answer complicated questions that can't be asked over the telephone. Cash or other incentives for completing the questionnaire are often included in the mailing.

Intercept studies. Respondents are recruited in a public place, often at an attraction, visitor center or shopping mall, screened for target criteria and given a highly structured interview. This method is appropriate if the respondent needs to look at products, pictures of new products, or advertising. Intercepts are also appropriate if it is important to interview respondents in the context of something they are doing: for example, an attraction may want to conduct exit interviews with their visitors to get their top-of-mind reactions to their experiences.

Strategic Target Marketing Research

Strategic target marketing means destination marketing organizations specifically attempt to reach individuals within targeted segments, using traditional and non-traditional marketing approaches. This is called "target marketing", because instead of broadly advertising to everyone, you can pick specific media or approaches for a specific group of potential travelers. Tourism marketers generally find target marketing to be more cost effective and successful than non-targeted advertising or promotion.

Today's competitive environment increasingly suggests the importance of following a preferred customer-identification process by addressing issues of seasonality, geographic targeting, customer segmentation and desired message in order to identify those customers most likely to travel to and within Arizona.

Seasonality

The first consideration is seasonality of visitors. Not all customer segments are equal and many prefer to travel during specific times of the year. From a research perspective, this is the easiest information for you to assemble, and you probably have a good "gut feeling" for the seasonality of your community without any research at all. However, for the sake of accuracy, you should consider gathering the following information:

- Contact your city or county finance department and ask for the transient occupancy tax collections by month for the past three years;

- Use a spreadsheet program such as Microsoft Excel to record the information and create a bar graph, using the months of the year across the base and the tax dollars collected by year as your vertical axis. You now have a graph of your seasonality, by month. You now have either proof of what you knew all along, or an eye-opening piece of information.

Geographic Segments

It may not come as a surprise to learn that nearly six out of 10 Arizona tourists are from Arizona or California. Another 30 percent are from around the United States and about 10 percent are from other countries. Assuming for a minute that you couldn't advertise your destination to everyone, upon whom would you concentrate? Your answer will probably be Arizonans or Californians, as it likely should be. Certainly, seeing busloads of Japanese tourists arriving at your destination for a day of shopping, dining and more shopping is the dream of every destination marketing professional. But since the tragic events of September 11, 2001, travel patterns have changed. Visitors are staying closer to home and taking shorter trips. Most travelers use their own vehicles (71 percent) to get where they're going, and generally they like to travel no more than four or five hours to get there. Day visitors (those who do not spend the night) generally come from no more than two hours away. This can give you a remarkably clear picture of where to concentrate your tourism marketing efforts.

You might want to take out a map, and draw a circle with your area at the center, extending the perimeter to the equivalent of a five-hour drive. Of course, mountain destinations with slow, winding roads might have to adjust the circle a bit. Now take a look at major population center(s) within the circle. If there aren't any, then cheat a bit until you get to one. In all likelihood, you have found your primary market.

Below is a brief exercise to determine possible geographic target markets for your area.

What are the nearest population centers within two hours that might generate day visitors:
1. Name of city/area: ______________________________ Population__________
Hours away by car ________ Miles away _________
Ease of driving (i.e. freeway conditions, road conditions, etc.) ____ Excellent ____ Good ____ Poor

2. Name of city/area: ______________________________ Population__________
Hours away by car ________ Miles away _________
Ease of driving (i.e. freeway conditions, road conditions, etc.) ____ Excellent ____ Good ____ Poor

3. Name of city/area: ______________________________ Population__________
Hours away by car ________ Miles away _________
Ease of driving (i.e. freeway conditions, road conditions, etc.) ____ Excellent ____ Good ____ Poor

What are the nearest population centers within five hours that might generate overnight visitors:
1. Name of city/area: ______________________________ Population__________
Hours away by car ________ Miles away _________
Ease of driving (i.e. freeway conditions, road conditions, etc.) ___ Excellent ____ Good ____ Poor

2. Name of city/area: ______________________________ Population__________
Hours away by car ________ Miles away _________
Ease of driving (i.e. freeway conditions, road conditions, etc.) ____ Excellent ____ Good ____ Poor

3. Name of city/area: ______________________________ Population__________
Hours away by car ________ Miles away _________
Ease of driving (i.e. freeway conditions, road conditions, etc.) ____ Excellent ____ Good ____ Poor

Certainly, people living in the cities you listed above are not the only people likely to come to your community; you may now see people coming from all areas of the country, and even international travelers. What you should look for are those population bases most likely to generate new visitors.

Segmenting the Market

The third consideration is what particular customer segments (age, gender, income, lifestyles, activities and interests, etc.) should be targeted. Not everyone who lives in the cities listed above is equally likely to visit. If your area is located in the mountains, then people who like to hike, camp and fish may be more likely to visit than those who travel for the opening of the opera season. Nor is it likely that you receive visitors in 12 equal monthly installments throughout the year. If you are located in a cool mountain area, your high season is probably in the summer time. If you are a desert community, chances are that more people seek out the warmth of your winters than the heat of July.

Dividing the market into segments means taking a look at who comes (and if so, when) and who doesn't (and if so, why not). For example, "campers" are a market segment, as would be "families with young children" or "seniors." The goal is to identify the customer segment in your geographic target which offers the highest potential as a visitor to your area.

Segmentation studies are generally conducted by mail or phone survey of visitors and non-visitors. You can segment your customers based on data from existing visitor surveys or through analyses of an existing customer database (see Visitor Surveys and Database Management sections). The most desired segment would be those groups of people, out of the total number interviewed in the survey, who gave similar answers to specific travel-related questions.

Determining Most Effective Media and Message

Once the desired customer segment has been identified, marketers need to: (1) know the preferences of the people they are talking to; (2) speak to them in a language that motivates them; and (3) speak to them when they are open to receiving the intended message. Market research that can provide this information includes:

Communications survey

This type of survey is used to obtain trip planning characteristics of targeted customers, such as how and when visitors gather information for a trip, and what communication outlets they use for trip planning purposes (for example, magazines, Internet, radio, TV, etc.).

Advertising concept testing

This testing is used to obtain the reactions of target customers to preliminary, rough versions of alternative advertising approaches. The objective is to test the ad with consumers to see if it works with the targeted customer before you spend the money to place the ad. A variety of survey methods can be used, but a qualitative data collection procedure such as a focus group is the norm.

Visitor Surveys

Critical to the success of strategic target marketing is dependable visitor information and expenditure estimates to better understand local tourism trends, focus marketing efforts, measure economic impact, and plan for future growth. Data collected in a well-designed visitor survey may provide significant information that can be used for a variety of research purposes including a number of those mentioned above. Researchers can use a number of approaches to conduct visitor surveys, including asking travelers to fill out a written survey while they are in the area, mailing a survey to their homes after they have left, asking verbal questions of visitors at a popular tourist site, or telephoning them at home. All of these approaches have their advantages and their disadvantages:

1) **Distribute Written Questionnaires Onsite** – Although this is an inexpensive method and the response rate is high, those choosing to fill them out may not be fully representative of all your visitors (they might be the ones with more time on their hands).

2) **Mail-Out Questionnaires** – The advantage is relative simplicity. The disadvantage again is that those who respond might not be a fair representation of your visitors. You will get a fairly low percentage of them back, and it's more expensive than distributing them on-site.

3) **On-Site Interviews** – Here you get a high response rate and get the information quickly, you can ask follow-up "probing" questions, and visitors have excellent recall of their trip because they are still there. On the down side, it can be expensive to hire trained interviewers who won't skew the answers in one direction or another.

4) **Telephone Interviews** – The advantages are a quick yield of the data and a high response rate. The disadvantages are the expense, the need for trained interviewers, and the difficulty in obtaining the phone numbers.

The University of Arizona has developed "A Guide to Designing and Conducting Visitor Surveys." This can be used by community leaders who are interested in tourism either to design and conduct their own surveys, or as a basis for putting together a request for proposals for others to do such a survey. The guide can also be used by private consultants, economic development professionals and others who conduct visitor surveys. Please see the Research section in the Reference pages at the end of this handbook for information on receiving a copy of this guide, which includes survey samples.

Is There a More Informal Visitor Study I Could Conduct?

Let's assume that you don't have the budget to hire a professional research firm to study your visitors. There are many ways to conduct research yourself that will still give you a good idea of what motivates people to visit your area. You will also find local universities and community colleges able and willing partners in this process. Here are some common methods of gathering visitor information that might work well for you:

Survey of Local Providers – These are the experts in your local area, and you will find them to be a wealth of information, although they might be somewhat biased in their perspective. You can use any or all of the methods listed above (written questionnaires in person or by mail, and/or on-site or telephone interviews). These are the people who know, or at least think they know, who comes to your area now and why. Be careful to include only facts, and not assumptions, in your survey results.

Existing Surveys from Other Communities (Share and Share Alike) – You are not the first one to decide to do a visitor survey, and you won't be the last. Although some communities might be reluctant to share this information with people they might view as competitors, many others will willingly trade information with you. Just remember that every community is different, and that the results of visitor surveys obtained in another community may not be exactly what you need. You should also be prepared to share any information you gather with those who share with you.

Zip Code Surveys – One of the easiest ways to track visitation to your area is to simply ask your local hotels and lodging establishments to write down the zip codes of every guest who checks in, and pass that information along to you once a month. This will tell you where guests are coming from, in what numbers, and during what times of the year. Be careful to watch for unusually large blocks of numbers from one zip code during one time period, as this could suggest a group of visitors traveling together.

License Plate Surveys – Going to the parking lot of a local attraction or hotel and looking at license plates used to be a popular method of surveying where visitors come from. Although you get a general idea of visitor origin by state, it's difficult to pinpoint the city of residence (rental cars can skew your results), and it's a time-consuming way to spend your day. If you do this, make sure you have the permission to enter the private property of any business.

Website Surveys – If your destination website is receiving a lot of attention, you might want to have a contest page where potential visitors can enter to win a trip to your area. Make sure you have a form where they can enter their street address as well as email address. Although this is very inexpensive and easy to tally, it simply shows you geographic areas of interest in your destination, not necessarily actual travelers. Make sure you only allow one entry per person, or your results will be skewed by multiple entries.

Database Management

Developing a database of information on your customers can be useful in a number of ways: it can provide information on customer preferences and trends, it can be the source of names for future research, and it can be the basis for employing a number of customer-relationship marketing techniques.

What Questions Should I Ask When Customers Call In?

1. Begin with the basics:
   - Name (make certain spelling is correct)
   - Home address (zip code + four) and shipping address, if different
   - Phone number and e-mail address
   - Date called
   - How they got your number

2. Then move on to information which may be helpful for operations and marketing:
   - If they have visited your area before; number of times in the last two years
   - What is their typical travel group make-up (parents and children, including age of children; couples; groups of friends)
   - What month they plan to visit
   - What their primary activities of interest are (examples might be golf, attending a festival, water sports – three is a good number)

• If they plan to visit other attractions (could be useful for partnering with other businesses)
• Type of lodging they'll be using
• Do they have any special service or product requirements during their visit (diet, lodging, indoor vs. outdoor activities)

3. And if time permits, ask other questions depending on your business, such as:
• Trip purpose – business, leisure, combination of both, motorcoach tour
• What publications they have received on your area
• What other areas in Arizona they plan to visit

How Do I Use What I've Entered in my Database?

The goal is to develop one-to-one relationships with your customers, building long-term brand loyalty in the process. Here are some suggestions on applying what you've learned about your customers:

• Stay in touch with your most frequent visitors via a newsletter, new brochure or frequent visitor discount program.
• If you use advertising, add special extension codes to each ad. When you ask how they heard of you or got your number, prompt them for an ad code. This will help determine the type of ad to which your customers are most likely to respond.
• Knowing the time of year they generally vacation, send them information in advance, reminding them it's time to plan their trip to your location.
• If many of your customers mention the same three things they like to do, make it easy for them to plan by partnering with other tourism businesses in your area or even other destinations.
• Develop a profile of your "best customer" – the one with the highest annual or lifetime value to your business – and consider buying qualified direct mail lists of similar people to generate new business. If you have a lot of business travelers, perhaps there is an opportunity to invite them to spend an extra day in the area as leisure travelers.

Don't Compromise Customer Privacy for Profit

With each contact, it is critical that you ask whether customers are willing to have their information shared with other tourism businesses in the area. It can be positioned as a service if you know, for example, that they want to have golf reservations or attend an event -- you can provide their name to a partner business to make that happen. If they prefer not to have their names shared, offer the phone number or e-mail address of the attraction or association that could further help them with their planning. Finally, don't sell or trade database information without your customer's knowledge. It will lead to a level of mistrust among your valued customers.

Database as Source of Names for Research

If you want to learn more about customer satisfaction, how effective your publications are in convincing your target market to come, or trends in customer preferences, then look to your database as a rich source of people to interview. Whether it's recruiting for a focus group or conducting a phone survey, your database will now allow you to pick and choose customers depending on what information you want to gather. You can select names in one of two ways:

• If you want a representative sample of customers, be sure to include a variety of people who stay with you or patronize your business. For example, you might design a sample that includes couples on a romantic getaway, families with young children, and senior citizens.

• Or you can limit your sample to only one group or market segment, knowing that the information you gather isn't an indication of how other market segments might react. You can come to conclusions or recommend future actions for this group only. For example, people who enjoy birding/wildlife watching may have different preferences than people who come to your area to visit cultural attractions.

Advertising Effectiveness Research

Advertising effectiveness means different things to the groups responsible for its effects. To the writer or artist, effective advertising is that which communicates the desired message. To the media buyer, effective advertising is that which reaches prospective buyers a sufficient number of times. To the advertising or marketing manager, effective advertising is that which, together with other marketing forces, sells a brand or product. To the general manager, effective advertising produces a return on the firm's expenditure. In fact, effective advertising must achieve all four goals.

Advertising effectiveness research includes those procedures and techniques which may be employed to provide knowledge about the effect of advertising – knowledge that can be used by managers to make better decisions. In tourism research, two types of research can help determine marketing effectiveness: conversion studies and advertising tracking studies.

Conversion Studies. The purpose of conducting conversion research studies is to learn whether or not advertising and marketing campaigns designed to attract visitors actually do generate visitors and profits more than would have occurred without employment. Conversion studies are used for direct-response advertising, wherein the intent is to stimulate prospects to request travel information by returning a coupon, calling an 800 number, or visiting a website. The studies determine if consumers are converted to visitors as a result of the direct-response campaign. These studies are generally conducted by mail or telephone, using names captured from those requesting information.

Advertising Tracking Studies. Generally, the main goal of advertising is to generate awareness of the destination as a place to visit, and also to create a more positive image of the destination relative to the competition in order to motivate consumers to travel to that destination. Advertising tracking studies are used to determine if consumers are converted to visit your destination by advertising solely on the basis of awareness and image-building impacts. The studies typically include a 'pre-wave', consisting of phone interviews with a representative sample of respondents in the target group just prior to the launch of a campaign, followed by a 'post-wave' consisting of the same questionnaire administered to a representative sample drawn from the same target group.

Monitoring the Economic Benefits of Tourism to Your Community

Tourism plays a critical role as a provider of jobs and income in many communities. Measurement of the economic benefits and costs of travel and tourism may help meet a variety of objectives for both marketers and planners. Economic impact studies can:

• Inform public officials and business managers about the benefits of investing in travel promotion or tourism and recreation facilities
• Help tourism marketers evaluate the effectiveness of marketing efforts
• Educate tourism employees about their role in economic and business development and about how their services contribute to the economic health of their communities
• Help citizens understand the importance of tourism to their quality of life

The following strategies are intended to provide ideas for tracking local tourism activity and using the information to make strategic planning decisions. Determining the importance of tourism to your community requires dependable visitor information and expenditure estimates to help you better understand local tourism trends, focus marketing efforts, measure economic impact and plan for future growth. The ideal circumstance for collecting information about the importance of tourism to your community is to conduct regular visitor surveys. Data collected in a well-designed visitor survey can provide significant information which can be used for a variety of research purposes, including a number of those mentioned above.

[1] Adapted from Leones, Julie and Douglas Dunn, "Strategies for monitoring Tourism in Your Community's Economy." University of Arizona, Arizona Cooperative Extension March 1999, http://ag.arizona.edu/pubs/marketing/az113

Assessing Tourism Data Already Available

If you do not have the resources to conduct regular visitor surveys, there are several existing sources of data that are available to help track tourism in your community. This data can help you estimate both the number of visitors to the community and tourist expenditures. The data may also reveal visitor characteristics and trends in tourism.

Bed Tax Revenues

The most objective source of data for monitoring tourism in the local economy is bed tax revenue data. This data is often available at the city, county and state level. If you know the tax rate and have bed tax revenue data, you can estimate total expenditures at lodging places very effectively. You are also able to identify this data out seasonally.

Before you do so, talk to the fiscal officer who keeps this information to find out if he/she is reporting the total collected for each month or the total amount due. If it is the total collected, it could represent taxes due in previous months, not just the current month. The total collected per month may vary in ways unrelated to the total amount due each month. Typically, this month's tax receipts were actually collected by hotels in the previous month. It may not be possible to compare this data on a month-to-month basis. However, it may still be possible to compare for the winter and summer season and for the year.

Ask your local fiscal officer about exemptions to the tax. For example, it is common to waive the bed tax for visitors who stay for 30 days or more. If there are a lot of these types of visitors to your community who stay in commercial lodging, estimates of lodging expenditures based on bed taxes will underestimate the actual amount spent on accommodations. Likewise, state employees are exempt from paying bed tax in some states. Their lodging expenditures will not be reflected in estimates based on bed taxes.

Example 1. *Estimating Lodging and Total Expenditures using City Bed Tax Collections*

Let's say that the city bed tax is 4 percent. The annual total of bed taxes collected is $50,000. This means that the amount spent on lodging in the city was $50,000/.04 = $1,250,000. *Recent surveys conducted for the Arizona Office of Tourism show that on average about 20 percent of total visitor expenditures were on lodging.*
If we were trying to estimate total visitor expenditures, we might estimate that $6,250,000 ($1,250,000/.20) was spent by visitors in the community.

Some hotels and motels may not be within city limits and will not be included in your lodging expenditure estimates. You may need to collect data directly from them on their average room rates and occupancy rates by month to estimate their contribution to total lodging expenditures. Likewise, your city may have just annexed an existing hotel. This will cause the city lodging taxes to increase even though total lodging expenditures in the area have not really increased. Also, have average room rates increased over the previous year? Are the increases in bed tax collections the result of increased visitations or higher room rates?

In addition to bed taxes imposed by cities and counties, the State of Arizona charges a 5.5 percent bed tax. It records this data by county and by month. This data is available through the Office of Tourism, which is another source for estimating total visitor expenditures on lodging and on total expenditures at the county level.

The examples provided show how you can use tax figures to estimate total visitor expenditures. It is important, however, to know that the share of visitor expenditures in lodging can vary significantly among communities and can change over time.

Example 2. *Estimating Lodging Expenditures at the County Level*

Let's say that you want an estimate of total lodging expenditures at the county level. State bed tax receipts for the county are $660,000, so total lodging expenditures are $660,000/.055 = $12,000,000. The Arizona Department of Revenue report provides the hotel/motel sales on a collection basis (i.e., sales reported in one month are actually from the month before). Let's say that there is one large community and a number of smaller communities in the county. The large community has a bed tax, but the smaller ones do not. It would be possible to estimate what part of the lodging expenditures are occurring in the large community and what part in the rest of the county by using both the city and state bed tax information. Say the city bed tax rate is 2 percent and $150,000 was collected in the last fiscal year. This means that $150,000/.02 = $7,500,000 of lodging expenditures occurred in the large community and $12,000,000 - $7,500,000 = $4,500,000 occurred in the rest of the county.

Hotel Room Inventory and Occupancy Rates

At the very least, you should maintain in your database an inventory of the number of hotels, motels, bed and breakfasts, dude ranches, outfitters, RV parks and campgrounds in the area, the number of rooms or spaces that they offer, rates, and the name of the current manager. In addition, you may be able to get local hoteliers to cooperate in providing you with their monthly occupancy rates throughout the year. Knowing the size of each facility and the occupancy rate gives you a basis for estimating room-nights spent in the community. Note: Confidentiality is essential in gathering such information. Data on a specific firm should generally not be shared publicly. Instead, share only aggregated data or totals for all lodging in public documents.

With this information you can track the changes in the number of rooms or spaces available in the community over time. You can also track the number of room-nights spent in the community over time. By dividing total estimated expenditures in hotels from bed tax revenues by room-nights, you can estimate average cost per room-night over time as well.

The number of rooms multiplied by the number of nights in a month, season or year gives the total supply of room-nights in your community for the month, season or year. A summation of the average occupancy rate times the number of room-nights for the month, season or year for each lodging facility will give you an estimate of total demand for the number of room-nights. You can graph room-night supply and demand over time to see what trends are occurring in your community.

Be more cautious using these numbers than when you are using tax receipt numbers. Some hotel managers do not keep good occupancy records, others may provide numbers that are higher or lower than their actual occupancy rates. You might do a rough check of occupancy data by also asking for average room-night price data from each lodging place (or by using an estimate from a published source). Estimate total room-nights as shown in Example 3 and multiply by the average room-night price. Compare the sum of this estimate of total lodging receipts to your estimate based on bed taxes. If the figures are different by more than 10 percent, you may have some inaccurate occupancy or average room-night price data.

Example 3. *Estimating Total Room-Nights and Average Price Per Room-Night Using Hotel Occupancy and Bed Tax Data.*

Let's say that there are 450 hotel rooms in your town. The average occupancy rate in January was 40 percent and the average occupancy rate in June was 80 percent. This would mean that there were a total of 450 x .40 x 31 days = 5,580 room-nights in January and 450 x .80 x 30 days = 10,800 room-nights in June in your community. Let's assume that we have estimated total lodging expenditures from bed tax data. Let's say that the January expenditure was $306,900 and the June expenditure was $702,000. This means that the cost per room-night to stay in your community was $306,900/5,580 = $55 in January and $702,000/10,800 = $65 in June. As you might expect, the average room rate tends to be lower during the off-season when hotel occupancy is lower and higher during the peak season when hotel occupancy is higher. It is possible to examine not only trends from year-to-year but also season-to-season in this way.

Attraction Visitor Counts and Admissions

Another valuable set of data is visitor counts and admission to area attractions. These can be useful indicators of total visitor numbers in tracking trends at specific attractions. Without survey data, however, it is difficult to use this data directly to estimate visitor numbers and impacts. This is because both local residents and visitors may visit attractions, and it can be difficult or impossible to determine what percent of total people admitted are visitors. A review of the sign-in registers at your community's attractions will indicate what percent of total visitors are local residents. Local residents tend to be less likely to sign such registers, thus you may overestimate the percentage of out-of-town visitors using this method.

Find out what kinds of visitor count data are available from local attractions. If some of your local attractions do not already keep a good count on the number of visitors (as is frequently the case for attractions with free admission), then you might consider working with them to establish a registry or to install turnstiles, door counters or road counters.

Paid admissions may be a good way to keep count, except that some attractions sell memberships or an annual pass and allow free admission to card holders. Unless the attraction keeps track of member and complimentary admissions separately, these may be overlooked. Another problem with admission data is that if different admissions are charged for various age groups, it may not be easy to estimate total number of people admitted from the gross admission receipts alone. Check to see if your local attractions keep track of tickets sold by admission price category (such as children, adults, families, and senior citizens).

The admission data may help confirm trends that you see in the tax revenue data you collect. It may also reveal some changes in how popular specific attractions are to visitors over time. If a specific attraction is declining in number of visitors or not keeping up with other attractions, it may indicate some problems at that attraction. These problems could range from inconvenient hours of operation to the need for major repairs and remodeling.

Event-related Figures

Events that are held in enclosed areas requiring admission are the easiest to monitor. Use of event locations with limited entrances and exits (such as fair and rodeo grounds) might be encouraged even when admission is not charged in order to keep better track of the number of visitors. When this is not possible, due to the nature of the event or the purpose of the event, then it may be necessary to use other sources of information to estimate attendance. These include estimates by police of crowd size and estimates by volunteers with handheld counters stationed at key entry or exit areas and traffic counts. You may be able to supplement some of this information with data on raffle ticket sales or soft drink sales.

Visitor Information from Visitor Centers

Many local chambers of commerce and convention and visitor bureaus maintain visitor centers to provide information to tourists. Keeping counts of people who stop for information is another good source of visitor numbers. There is typically no admission fee to enter a visitor center, so door counters and registration books are used to keep track of visitors.

A registration book can be used effectively to collect more information than simply where the visitor is from. You can also set up the registration to ask questions, such as how many nights visitors are staying in the community and how many people are in their visitor party, reason for visit, how they heard about the visitor center, and home zip code or country. Keep in mind that generally only a portion of total visitors stop at a visitor center and their characteristics may not be typical of all visitors.

Return on Investment (ROI) Information from Visitor Centers and Promotions

It can be exciting tracking visitor revenues, but many people who work in tourism are less excited about tracking the costs of tourism. Direct costs for visitor centers and tourism promotion are relatively easy to track. Visitor center costs can be identified and tracked as a separate expenditure in your organization's budget. Be sure to include in this amount the time spent by staff in serving visitors. If all bed tax revenues are earmarked for tourism development and promotion, then these visitor expenditures may also be documented and shared with local leaders and citizens. In addition, if there are events held primarily for out-of-town visitors, the revenues and costs of these events can be tracked. If the costs are consistently greater than the revenues, it may be time to evaluate whether the event should continue.

Often you hear tourism promoters claim that for each dollar spent on tourism promotion, X dollars are generated in tourist expenditures. The most common way to reach this amount is by dividing total tourist expenditures by the amount spent on promotion. While these claims are not completely accurate, the ratio of tourist expenditures to promotion expenditures is worth tracking over time.

The ratio is not a measure of either the average or marginal impact of promotion. Measuring expenditure changes generated by promotion is more difficult. It requires taking into account changes in the availability and quality of visitor facilities and attractions, and changes in customer service, inflation, and general economic conditions affecting tourism and travel.

Example 4. *Estimating Total Visitor Expenditures to Costs of Promotion Using Visitor Center Cost Data.*

Let's say that total tourist expenditures in your community are $2,000,000. The budget for the visitor center and all promotions last year was $100,000. Therefore, the ratio of visitor expenditures to promotion costs is $2,000,000/$100,000 = 20. The following year, let's say that tourist expenditures were $1,800,000 and promotion costs were $100,000. The ratio now falls to 18. This may be due to a single poor tourism season or it may be due to ineffective use of the promotion funds. If the trend continues, it should be of concern.
Alternatively, let's say that you receive an extra $20,000 for a special promotion campaign. During the year, visitor expenditures increase from $2,000,000 to $2,500,000. Dividing the increase in visitor expenditures ($2,500,000 - $2,000,000) of $500,000 by the increase in promotional costs of $20,000, we get a ratio of 25. Since this is higher than the ratio of 20 for all visitor expenditures to promotion costs, you have an indication that the new campaign was successful. However, other factors unrelated to the promotion may have caused the increase in visitor expenditures. If the increase in expenditures was only $250,000, the ratio would be $250,000/$20,000 = 12.5.

Although tracking total visitor expenditures to promotion costs is a helpful indicator, local government officials are going to be much more interested in knowing whether or not the revenue generated by visitors is covering the public cost of serving customers. While it may be difficult to account for the use of public infrastructure such as roads and parks by visitors, costs for promotion should be readily available. Where possible, it is worthwhile to estimate additional costs for police service, search-and-rescue operations, maintenance of public parks and facilities, solid waste disposal from public receptacles, and road maintenance. Estimating these costs may require discussions with local service providers to identify total costs and visitors' contributions to those costs. The government revenues from visitors comes directly from taxes they pay and also indirectly from a portion of taxes paid by local residents who earn some of their income from tourism. Using bed tax information, you can assess a rough measure of direct revenues.

Example 5. ***Estimating Direct Revenues and Direct Costs from Tourism.***

Let's say the annual costs for tourism promotion and operation of the visitor center plus other local public service costs are $250,000. This community has a 2 percent bed tax and collected $80,000 in bed tax revenues. This means that there were $4,000,000 in lodging expenditures in the community. Let's say that a recent survey tells us that 22 percent of visitor expenditures are on lodging. So the estimated total expenditures of visitors is $4,000,000/.22 = $18,200,000. The same survey shows that 61 percent of all visitor expenditures are on taxable retail items (i.e., groceries are not included). Visitors spent a total of $18,200,000 x .61 = $11,100,000 on taxable retail items. If the city retail tax is also 2 percent, then retail tax revenues from tourists would be $11,100,000 x .02 = $222,000. Total direct revenues from tourists are $222,000 + $80,000 = $302,000. In this case, direct revenues more than cover the direct promotion costs of $250,000. The ratio of revenues to costs is then $302,000/$250,000 = 1.2.

Studies from Other Communities

Characteristics of visitors and their level of expenditures can vary significantly among communities. You can still benefit, however, from the information you find in studies that have been done at the state, regional, county and metropolitan area level, and from studies of other communities.

Generally, you will have ideas about what type of visitor you want to attract. Pay particular attention to studies which provide information on the type of visitor desired in your community. Studies that provide information on visitors based on their activities or interests can also be very helpful. If you want to attract more nature-based tourism to your community, examine the characteristics of these types of visitors from studies of other areas. Studies can be found at NAU's Arizona Hospitality Research and Resource Center (see Reference section at the end of this handbook for contact information).

State and National Studies and Data

National-level studies can reveal general trends over time which will affect tourism in your community. Examples of such trends include: the tendency for people today to take more frequent trips over the year; staying closer to home and for shorter time periods rather than taking one long vacation; the growing importance of baby boomers as tourists, with their interest in hands-on experiences rather than more passive activities such as viewing museum displays; and the growth in demand for "ecological" vacations, cultural tourism and farm/ranch recreation. American history and culture, particularly of the "Old West," and Native Americans and visits to Tribal Lands are very popular with foreign visitors.

State-level studies can also be helpful in tracking tourism activity over time. For example, it is useful to know if the number of specific foreign and out-of-state visitors to the state, such as European visitors or visitors from California, is changing over time. If your community has had a bad year for tourism, was it a bad year across the state (and possibly across the nation) or was it a local phenomenon?

National-and state-level studies can help you answer this question. Important sources of summaries of Arizona state data and studies are both the Arizona Office of Tourism and Arizona Hospitality Research and Resource Center at Northern Arizona University. The Arizona Hospitality Research and Resource Center maintains a library of state and local tourism-related studies (see Reference section at the end of this handbook for contact information).

Improving the Way Current Data is Being Collected

The discussion so far has mainly focused on using existing information as it is currently collected. However, there may be additional initiatives that you can carry out to improve the quality of the information which is being collected about tourism in your community.

In terms of tax information, you can discuss with your city's fiscal officer or elected officials the need to provide lodging and retail sales revenue data, based on the month that the revenue was due (i.e., the month in which the sale occurred), so that it can be used to track trends.

Cost information from chambers and other organizations responsible for visitor centers and tourism promotion is most useful when costs related to tourism can be broken out from other costs. If you don't already keep track of costs in this way, it might be worth exploring with your bookkeeper or accountant as to how you may begin.

As suggested earlier, you can check to make sure that some mechanism is in place at all local attractions and at major tourist-oriented businesses to keep track of the number of visitors. If these mechanisms are inadequate, you can work with the manager of the facility to install registries, door counters, road counters, turnstiles or other appropriate (formal or informal) tracking systems. Encourage managers to have their frontline personnel routinely ask visitors appropriate questions to obtain information that will assist in the operation and marketing of the business. Such questions might include: Where are you from? How did you find out about (this attraction/business)? How long will you be staying in the community? Then establish a reporting mechanism within the community. Designate someone to make contact with the managers of local attractions and major tourism-oriented businesses on a quarterly (seasonal or annual) basis to collect and assess visitor data.

At your local visitor center, review your registration book and compare its numbers with the number of people coming through the door (if you don't have a door counter, get one.) If few are registering, try to develop strategies for increasing registrations, such as asking visitors to register before providing information, or hold raffles where visitors who leave their home address are entered into a periodic (monthly/quarterly) drawing for some travel or community-related prize (like a night for two at a local hotel).

Review the form you use for registration to make sure that you are collecting key information which will be important to you. Instruct your frontline people on how to greet visitors and encourage them to register. Then recognize your frontline people for the good job they are doing.

Find out about the training that local police have received in estimating crowds. See if there are ways to offer additional training to police personnel related to this important skill.

Finally, decide on a specific date each quarter, season or year when you will schedule time to review data from the previous quarter, season or year. Spend some time thinking about what the data means for tourism development in the community. Share this information with people in your community who are actively involved in tourism. Use it as a basis for updating yearly tourism-related plans.

Using Data for Strategic Decision-Making

One of the best starting points for strategic tourism planning in a community is to focus on what type of visitors you want to attract to your community, given the resources that you have. Take time to assess current tourism activities in your community:

- What has been the cost/benefit of tourism to the community?
- What kind of payback are you getting for the time and resources you are now investing in tourism development?
- What is the ratio of total tourism expenditures to total direct expenditures on tourism-related activities?

Plan, at least annually, time to evaluate your tourism development and marketing program, or how you are now doing business. Utilize the data you've collected to assess the impact of tourism on the community. Use this data to make strategic choices directed toward strengthening your visitor attractions, events and marketing. What actions could be taken to increase the level of expenditures made by visitors in your community?

Use the data available to you in your planning efforts. If admission at key attractions is down, make it a project in the following year to find out why. If the community is having trouble attracting new motels, and thus increasing the number of (or replacing obsolete) rooms available, make finding out the reason(s) a key objective in your strategic plan. If you identify a specific target market for promotional purposes, search out as much existing information as possible on this market. Ask tough questions. Does your community have a high-value experience to offer this market? If not, what must you do to improve your product? If you do have the product, how do you reach your target market?

Visitor surveys indicate that 'word-of-mouth' is the primary way visitors find out about community attractions. The best way to get good word-of-mouth advertising is to offer current visitors a quality experience and outstanding customer service. Travelers are becoming more discriminating as they travel. They often rely heavily on travel guides which tell them not only what is available in a community, but also provide a rating of the quality. Communities need to diligently work at turning current visitors into tourism ambassadors for the community.

Research Ethics

It is important to know the unwritten rules of conducting research in order to avoid irritating respondents or diminishing their willingness to participate in research. Here are the key dos and don'ts:

Maintain confidentiality. Even if you do not explicitly state that respondents' answers will be held confidential, they will presume this. Once they have participated in a study, they should not be contacted again unless they have agreed to further contact. Information obtained through market research should never be added to a database (for example, to enhance future contacts with respondents).

Do not mix selling and research. It is important that research activities be kept separate from any outbound direct marketing. Research participation rates have been steadily dropping, in part from consumer fears that a survey will lead to a sales pitch.

Where do I Start?

The Research & Strategic Planning Division of the Arizona Office of Tourism has a variety of statistics that can help with a marketing plan, strategic plan, general information, and much more. This research information is posted at www.azot.com, which follows the governor's e-initiative to allow access to information online and all the time.

There are monthly updates for lodging indicators at a county level, metro-city level, and state level; visitation at Arizona State and National Parks; airport traffic, and gross sales & tourism taxes. Available every quarter is AOT's Quarterly Newsletter, which offers two or more articles about different tourism-related subjects and quarter totals on the above-mentioned indicators. Also, selected research reports are posted, ranging from power point presentations to the annual Statistical Report. Please take advantage of the great wealth of information AOT provides.

How Will I Know When I've Done Enough Research?

One-time data collection is, at best, a snapshot of what 'was'. Trends are evident only after time, so make a commitment to gather information on an ongoing basis. Then share the information with others. Your employees have a vested interest in knowing how they are doing and in understanding why certain changes are being made. A good research project should lead to new questions that will help you better serve your current customers and turn new customers into loyal customers.

Conclusion

This guide has outlined strategies for collecting information about tourism in your community and the economic contribution tourism makes. The most credible data sources available to you are current visitor surveys which provide accurate expenditure and visitation estimates. However, without survey data, bed tax data also provides a credible source of information because it is collected by an outside, disinterested source. It is possible to make fairly good estimates of lodging expenditures directly from this data. By making some assumptions about the percentage of total visitor expenditures on lodging, it is possible to come up with a rough estimate of total visitor expenditures (see Example 1). By keeping an inventory of hotels and their total number of rooms, you can track supply of rooms and room-nights in your community. If hotels and motels in your community are willing to share occupancy data, you can estimate demand for room-nights in the community. By combining this information with lodging expenditures, you can track average cost per room-night (see Example 3). Estimating the total number of visitors to the community is extremely difficult without conducting a survey of visitors. Counting visitors at visitor centers, attractions and events, however, can give you some indicator of visitor levels over time and allow you to assess how well individual attractions and events are doing in your community.

Tourism activity cuts across a number of sectors in the economy, so it is virtually impossible to track total tourism impacts with secondary data. However, this information can be used to see how specific sectors like hotel and lodging, and eating and drinking places are doing over time in the community. Most of this data is available at the county level, and is available several years after it is collected. National, regional and state studies, as well as studies from other communities, can give you some indication of the trends in tourism that may help shape your decisions concerning product development and marketing.

It is important to follow and respond to trends over several years, rather than one year's events. You can also compare how your community is doing relative to other communities, the state and the nation. Reviewing the trends and questions presented in conjunction with the data you have collected can help you make tourism planning and marketing decisions. In addition, consumer feedback from community swaps, focus groups and postcard surveys can help you assess the quality of customer service in your community.

It is difficult to estimate the economic effect which tourism and travel are having on a given community, but this does not mean that you should not use all possible information at your disposal to make these estimates. To be credible, it is important to explain how you made these estimates. The strategies presented here should help you begin to estimate tourism activity in your community.